

BEFORE THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE

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OFFICE OF THE
EXECUTIVE SECRETARY

IN RE: JOINT PETITION OF TEC)
COMPANIES AND THE CONSUMER)
ADVOCATE DIVISION FOR APPROVAL)
OF EARNINGS REVIEW SETTLEMENT)
)
)

DOCKET NO. 99-00995

CONSUMER ADVOCATE DIVISION'S COMMENTS ON AT&T'S STATEMENT OF
ISSUES

Comes the Consumer Advocate Division of the Office of Attorney General, pursuant to the request of the Hearing Officer, and hereby responds to AT&T's Statement of Issues.

Before commenting on the particular issues of AT&T, the Consumer Advocate Division would note that the issues set forth by AT&T are predominantly concerned with access reform. This is not surprising since AT&T's complaint focuses on AT&T's claim that the amount it pays TEC in access charges should be reduced. In particular, Issue 12 asks "What will be the consequences of the proposed rates of the TEC Companies for "business access lines" and "residence access lines" on any rebalancing of the TEC Companies' rates by virtue of any universal service mechanism?" (Emphasis added.) This "issue" clearly demonstrates why AT&T's case, which is overwhelmingly concerned with access reform, should be transferred to the Universal Service Docket, No. 97-00888, which is now handling access reform issues from the Access Charge Reform Docket, No. 97-00889. See also Issues 3, 10, and 11.

Accordingly, if AT&T's Petition for Intervention is not dismissed for the reasons set forth in the Consumer Advocate Division's Motion for Summary Judgment, it should be

transferred to the Universal Service Docket pursuant to the Consumer Advocate Division's pending Motion to Transfer. In this Universal Service Docket, all access charges, not just those involving one company such as AT&T, are at issue. Hearing AT&T's complaint in this "generic" access reform docket would, therefore, ensure uniformity of results regarding access charges. Furthermore, until the TRA rules on the CAD's Motion to Transfer it is all but impossible to determine the issues in this case.

Issue 1. What regulatory policies should be followed in the design of rates for telecommunications service providers under rate base rate of return regulation under present statutory policies?

Issue 2. What, if any legal or regulatory policies justify or support the revenue adjustments proposed in the Settlement Agreement to resolve the forecast overearnings of the TEC Companies?

Comments on Issues 1-2: AT&T asks what "regulatory policies" should be followed in this case. As set forth above, what AT&T really cares about is the amount it will pay to TEC in access charges. Thus, the only "regulatory policy" AT&T is concerned with is the one governing access charges, which is the subject of the Universal Service Docket.

Issue 3. In designing the revenue adjustments necessitated by the TEC Companies overearnings, what, if any, consideration was given, and should be given, to a reduction in the access charges paid by interexchange carriers?

Comments on Issue 3: AT&T asks what is the place of access charges in rate design; this is another example of the kind of issue that shows why this case should be in the access reform portion of the Universal Service Docket.

Issue 4. On the bases of what, if any, legal or regulatory policies, and by what regulatory procedures, have the rates of the TEC Companies for “business access lines” and “residence access lines” been set in the Settlement Agreement?

Issue 5. What have been, and what are forecast to be, the revenues received by each of the TEC Companies for “business access lines” and “residence access lines”?

Issue 6. What are, and what are forecast to be, the costs to each of the TEC Companies for providing “business access lines” and “residence access lines”?

Issue 7. What is the relationship between the revenues to be received by the TEC Companies for and “residence access lines” and the costs to each of the TEC Companies for providing “business access lines” and “residence access lines” and the costs to each of the TEC Companies for providing “business access lines” and “residence access lines”?

Comments on Issues 4-7: Issues 4-7 deal with the specific costs and revenues of TEC Companies which were not addressed in any form, shape or manner in the earnings review. These questions are not really issues but appear more like discovery questions.

Issue 8. In making revenue adjustments to resolve the forecast overearnings of the TEC Companies, should rates for services priced below cost be reduced?

Issue 9. In making the revenue adjustments to resolve the forecast overearnings of the TEC Companies, should rates for services priced above cost be reduced?

Issue 10. On what basis, and under what procedures, have the access charges paid by interexchange carriers to the TEC Companies been set, and on what basis, and under what procedures, are such access charges included in the forecast revenues of the TEC Companies?

Comments on Issues 8-10: Issues 8-10 ask questions regarding the cost of TEC

services. AT&T is interested in the cost of services because AT&T is maintaining that access charges should be priced at cost. Again, these “issues” establish why this case should be transferred to the Universal Service Docket.

Issue 11. On what basis, and under what agreements or procedures, were the TEC Companies compensated by South Central Bell Telephone Co. and BellSouth Telecommunications, Inc. for handling intraLATA traffic; and on what basis, under what agreements or procedures, are such payments included in the forecast revenues of the TEC Companies?

Issue 12. What will be the consequences of the proposed rates of the TEC Companies for “business access lines” and “residence access lines” on any rebalancing of the TEC Companies’ rates by virtue of any universal service mechanism?

Comments on Issues 11-12: Issues 11-12 also reveal AT&T’s interest in reducing the amount it pays in access charges, rather the justness and reasonableness of the amount paid by TEC customers, which is the subject of the Settlement Agreement between the Consumer Advocate Division and TEC. In addition, these “issues” are really discovery questions.

Issue 13. What has been the position taken by the CAD in proceedings before the TPSC and the TRA with respect to reductions in access charges paid by interexchange carriers to local exchange carriers; and what has been the basis for that position?

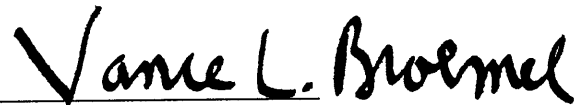
Issue 14. What has been the position taken by the CAD in proceedings before the TPSC and the TRA with respect to the adoption of policies to further the development of competition in telecommunications markets?

Issue 15. What has been, and now is, the legal and policy relationship, if any, between

the compensation paid by interexchange carriers for access services from independent local exchange carriers and that paid by South Central Bell Telephone Company or BellSouth Telecommunications, Inc. for intraLATA calls?

Comments on Issues 13-15: Issues 13-15 ask about the Consumer Advocate Division's position on access charges and telecommunications competition. Again, these are not really issues but matters for discovery.

Respectfully submitted,



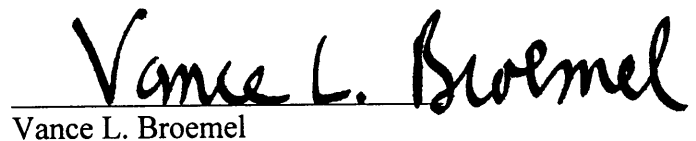
Vance L. Broemel, 11421
Consumer Advocate Division
Office of the Attorney General & Reporter
425 Fifth Avenue North, Second Floor
Nashville, TN. 37243-0500
615-741-8700

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Comments on Issues has been faxed and or mailed postage prepaid to the parties listed below this 14th day of June, 2000.

Val Sanford, Esq.
Gullett, Sanford, Robinson & Martin, PLLC
230 Fourth Avenue North, 3rd Floor
P.O. Box 198888
Nashville, Tennessee 37219-8888

T.G. Pappas, Esq.
Dale Grimes, Esq.
Bass, Berry & Sims PLC
2700 First American Center
Nashville, Tennessee 37238


Vance L. Broemel